RV BUSINESS

JULY 6, 1990

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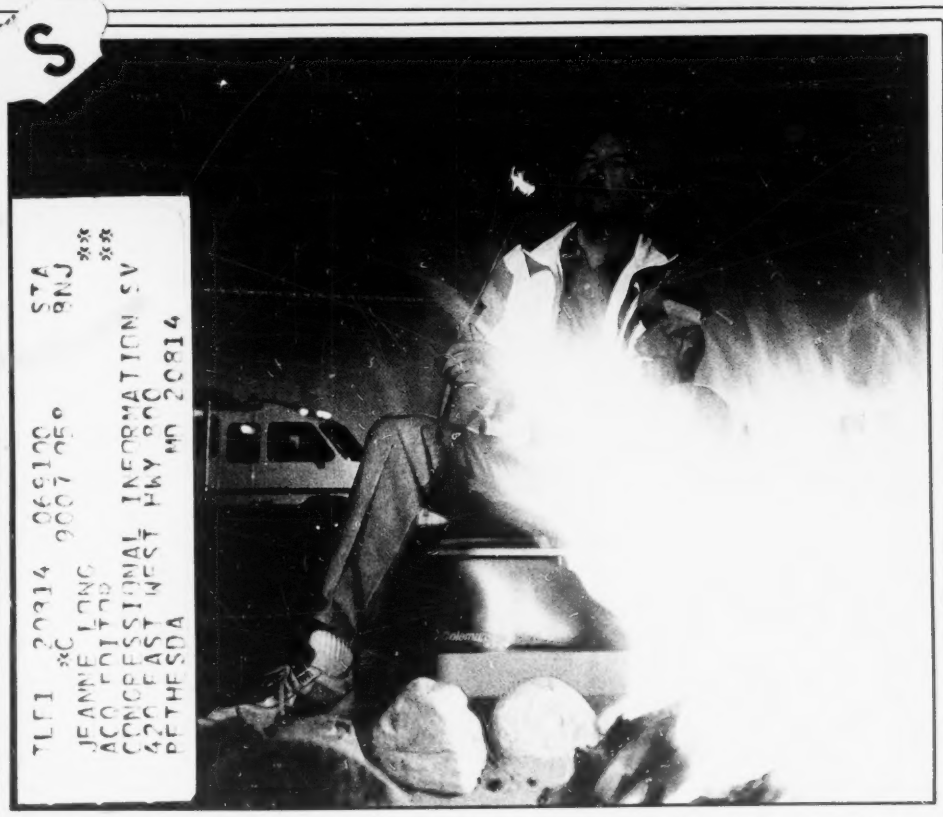

WHEN YOU'RE HOT, YOU'RE HOT: Bill Rex of Rexhall Industries strikes an appropriate pose for *Business Week*, which listed Rexhall No. 1 among 100 fastest-growing, publicly traded firms with sales under $150 million.

Rexhall Named No. 1 'Hot Growth' Company

Rexhall Industries Inc.'s ascension to the No. 1 slot in *Business Week* magazine's recent listing of America's "Hot Growth Companies" came as something of a surprise to Bill Rex, founder, president and CEO of the Saugus, Calif., motorhome manufacturer.

Of course, Rex, 39, who got his start on the assembly lines of Dolphin Camper Co., San Fernando, Calif. (now National RV in Perris), was well aware that things had gone pretty well for fledgling Rexhall, which he and his wife started in 1986, using a $150,000 second mortgage to fund the first manufacturing facilities for its Airex brand of Class A motorhomes.

A radius-cornered coach available on both Ford and Chevrolet chassis, the Airex gained ready, if still comparatively small-scale, acceptance as a midpriced entry, selling predominantly on the West Coast. Corporate sales have grown at a stupendous rate—from $5.8 million in 1987 to $17.4 million in 1988 to $34 million in 1989. Rexhall's dealer network, now numbering "80-plus," also has expanded quickly.

An initial $5 million public

continued on page 10

Foreign Rental Market Heats Up

The recent failure of three Canadian motorhome-rental companies, all specializing in international trade, is not an indication of slow demand in the foreign fly/drive rental business, according to current international rental leaders. On the contrary, foreign demand for rental motorhomes to tour the United States and Canada is brisker than ever, and so is the scramble to win a piece of the action.

Top rental firms stress that the real threat to survival for companies in the tough U.S. and Canadian markets is stiff competition in a consolidating mar-

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'Today Show' Spotlights RV Lifestyle

GM Agrees To Van-Seat Testing Program

Gas-Tax Hike Expected

RVDA Marks 20th Birthday

NHTSA Holds Hearing on Micro Safety

Va. Dealers Form Association

Chrysler to Offer V-10 Engine in '94 Light Trucks

Spartan Reports 30% Increase In Chassis Sales

Champion Names Young as New President, CEO

Truck-Cap Group Plans Next Show

Bill Clarifies Park Trailers' Status as RVs

Newcomer Unveils Sunset Towables

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RV BUSINESS

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Top Van Converters Aim High ____ 24
Although total 1990 van-conversion shipments are expected to be flat at best, and price competition continues to be fierce, leading converters project higher sales this year via market-share expansion.

Safety Rules Impact Van Converters ____ 29
Van upfitters are grappling with the cost implications of federal crash-safety regulations going into effect in September 1991. Van-seat testing requirements in particular pose serious challenges for converters and seating suppliers.

Campgrounds for the '90s ____ 38
Private-campground owners predict a continuing trend to year-round, resort-style facilities at the expense of mom-and-pop operations. Higher rates, closer RV-industry cooperation and a higher national profile for campground operators are other trends to look for in the 1990s.

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COVER PHOTO: ALAN LEVENSON

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DEALERS REPORT GOOD NEWS BALANCED BAD IN APRIL

GAYLORD MAXWELL

The sales picture for RVB's Dealer Advisory Board (DAB) was about equally split between positives and negatives in April. Although total sales volume for the group of 23 dealers was down by 5% compared with April 1989, 11 (almost half) of the group were up, and 12 were down.

Three RV types (motorhomes, truck campers and folding trailers) were down in total new-unit sales compared with April 1989, but two (travel trailers and fifth-wheels) were up. For used units, two types (travel trailers and truck campers) showed increases over April of last year, while three types declined in unit sales (motorhomes, folding trailers and fifth wheels).

In terms of profits, the picture wasn't bad at all. Grosses were generally rated good or fair. Bottom-line ratings were mixed—ranging all the way from poor to excellent. Used units brought grosses that dealers rated as good to excellent. The service-and-accessory business was very good, too, with ratings of good to excellent.

New inventories were running a bit on the high side in April. Six DAB members reported that their stocks were high, but most others were average. Quite the reverse, stocks of used units tended to be on the low side. Lot traffic was generally rated average to low. The percentage of new buyers was generally rated as low.

Year-to-date, the total sales-volume figure was down 10% for the DAB. Total new-unit sales were off by 5%, and used were down by 7%. In individual sales volume, 12 dealers were down, while 11 were up.

Although it certainly isn't the best of times, neither is it the worst. Some small dealerships are down; others are up. While some medium-size dealerships have been doing a superb job this year, others are suffering. Some of the giants are setting new records; others are significantly down. Geographically, the picture is the same. It seems more often now that it's *how* an individual dealer manages his business that determines his success or failure, rather than regional economic conditions.

Motorhomes

There's no question about it, the market for new motorhomes has been soft. Thirteen of the 19 DAB members who stock them were off the pace from last year in new units—including all but one of the large DAB dealerships (which was up by two units). Of the five that reported an increase, three were small dealerships that were up by just a few units. Another dealership that reported increases was a trailer specialist who took on motorhomes and was doing well.

Some dealers said that although unit numbers were down, grosses were good, so they were actually doing well. Used units were moving reasonably well, but the market has been much slower than in the past two or three years.

Grosses on new motorhomes during April were rated as generally good, according to the DAB.

Travel Trailers

It has been a long time since travel-trailer dealers have had it so good. New-unit sales were up by a whopping 30% for the month. Fourteen of the 20 DAB dealers who stock them were up in April; four were the same, and two were down. Used sales weren't quite as strong, but they were still up.

Not only were sales up, but grosses were strong. Used profits were also good.

Year-to-date, new units were 18% ahead of last year. Most dealers were up. A positive trend seems pretty obvious.

Truck Campers

For the fourth month this year, new-camper sales were down from those for the corresponding month last year. All three of the major camper dealers on the DAB were off the mark. Used units did much better, but unit sales were few in number. Profits were rated good to excellent.

Year-to-date, new campers were down

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	APRIL 1990	APRIL 1989	% CHANGE	1990	1989	% CHANGE	APRIL 1990	APRIL 1989	% CHANGE	1990	1989	% CHANGE
MOTORHOMES	146	183	−20	548	672	−18	175	188	− 7	610	691	−12
TRAVEL TRAILERS	144	113	+31	472	401	+18	140	130	+ 8	401	392	+ 2
TRUCK CAMPERS	37	47	−21	96	123	−22	20	19	+ 5	71	60	+18
CAMPING TRAILERS	92	136	−32	402	431	− 7	40	44	− 9	98	124	−21
FIFTH-WHEELS	67	59	+14	203	176	+15	26	30	−13	106	108	− 2

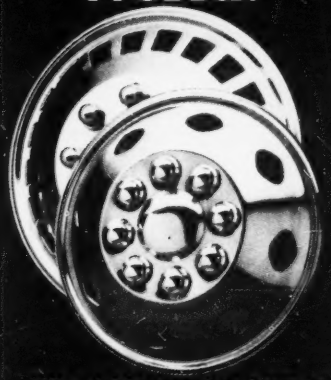
	FOR MONTH			YEAR-TO-DATE		
	APRIL 1990	APRIL 1989	% CHANGE	1990	1989	% CHANGE
SALES VOLUME	$16,591,000	$17,541,000	− 5	$56,461,000	$62,757,000	−10
TOTAL UNIT SALES	889	955	− 7	1,285	1,387	− 7
NEW-UNIT SALES	488	540	−10	1,720	1,803	− 5
USED-UNIT SALES	401	415	− 3	1,285	1,387	− 7

The "DAB Perspective" is a compilation of data provided by *RV Business'* Dealer Advisory Board, a group comprised of 23 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; **Dave Altman,** Baldwin Park, Calif.; **Bob Azevedo,** Sunnyvale, Calif.; **Jack Cole,** Pacoima, Calif.; **David McMann,** Victor, N.Y.; **Crosby Forrest,** Newport News, Va.; **Dan Gamel,** Fresno, Calif.; **Jerry Greer,** Columbus, Ohio; **Jerry Harrison,** Waco, Texas; **Robert Jensen,** Layton, Utah; **Johnny Ketelsen,** Marion, Iowa; **Newton Kindlund,** Orlando, Fla.; **Roger Kirschner,** Salem, Ore.; **Ozzie Lenhard,** Sayville, N.Y.; **Larry McClain,** Oklahoma City, Okla.; **Delores McNally,** Portland, Ore.; **Annette Miller,** Fayetteville, N.C.; **Jack Moran,** Warwick, R.I.; **Wayne Peay,** Albuquerque, N.M.; **Tom Schaeffer,** Shoemakersville, Pa.; **Mel Shipp,** Chattanooga, Tenn.; **Jack Sisemore,** Amarillo, Texas; **Bill Thomas,** Bridgeton, Mo.; **Randy Thompson,** Crystal Lake, Ill.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.

Think of them as tickets to Disney World!



Wheel Masters has keys to the Magic Kingdom
See Page 23 to win yours!!

DAB PERSPECTIVE *continued*

22%, but used units were up almost as much. One large camper dealer said he can't get enough good used units.

Camping Trailers

The year has not been shaping up well for dealers of this RV type. Sales of new units were off almost a third in April. Most of the dealers who get the big numbers in fold-downs were down from last April. Used units did much better, but they were still in the minus column. Profit ratings tended to be on the weak side—generally fair to good.

Year-to-date, the picture wasn't so bad. Although new-unit sales were down, the figure was quite small. There's still time for a recovery for the year.

Fifth-wheels

New-unit sales were up in April. Several smaller dealerships found the "hot button" and racked up some impressive gains. However, most of the major fifth-wheel dealers were down by a couple of units or so; used sales were off. Grosses were rated generally good.

Year-to-date, fivers were running ahead of last year in new units and slightly behind in used. The outlook for fivers is good. Δ

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1990 LOOKS FAIRLY FLAT

MORTON J. MARCUS

Good weather in January and February, a runoff of auto inventory, and mixed foreign news combined in a most unusual set of circumstances in the first quarter of 1990. The result was a deceptively stronger economic outlook for 1990, which has provided a difficult policy line for the federal government to walk in the year ahead.

In the RV industry, a sharp decline in shipments of van conversions during the first quarter of 1990 threw our last forecast off track. Clearly, we did not anticipate the extent to which Detroit automakers would lay off workers as management tried to work out of the hole it had created.

Other than that, the forecast performed reasonably well. Our last forecast called for 47,900 RV units, less van conversions, to be shipped in the first quarter; actual shipments were 49,900. Thus, the forecast error was 2,000 units, or 4%. Motorhomes were 1,300 units higher than we had forecast for the first quarter, while towables came in 700 units higher than expected. But van conversions came in at only 42,900 units for the first three months of the year, or a full 12,500 shipments below the level anticipated by our model.

These differences between forecast and reality were in line with the unusual pattern of the first quarter. Warm January and February weather pushed up the construction figures for the quarter, and the national economy looked far better than it was. Auto companies found new ways to move inventories, and companies kept prices in line at the expense of profits and investments.

Inflationary forces are still out there, but foreign competition is keeping them from being fully realized. Unemployment is rising, but not to a level that concerns anyone. Hence, the Federal Reserve Board is likely to focus on inflationary issues as long as the economy skirts the edge of recession without falling into it.

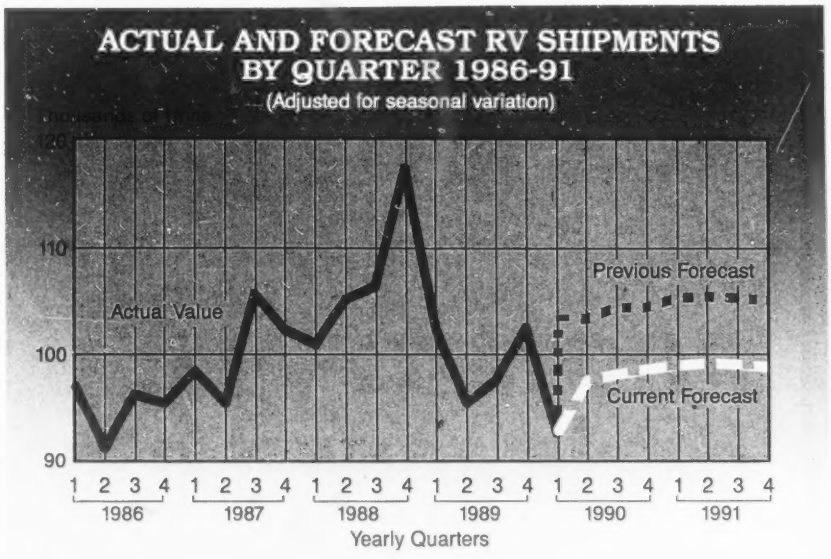

Figure 1

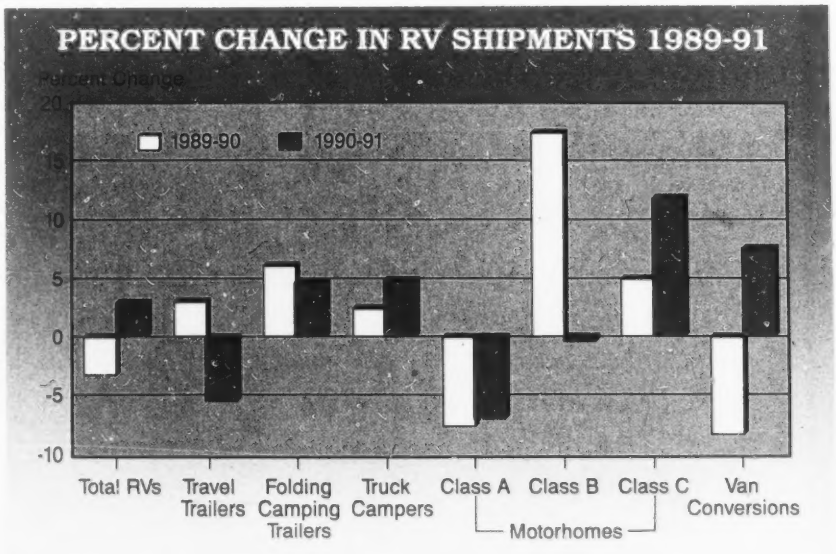

Figure 2

The RV Forecast

Although each remaining quarter of 1990 will be better than the first quarter, the sharp drop in van-conversion shipments in the first three months of this year will result in total 1990 shipments coming in lower than in 1989. Our current, revised forecast for 1990 is 385,200 units, a decline of 3.2%. Almost all of that decline has already occurred, and most of it was due to the slippage by van conversions in the first quarter.

Figure 1 makes it clear that while the total level of the forecast has been lowered, the general shape remains the same: Shipments will rise slowly into 1991 and then level off.

However, the more detailed forecast shown in *Figure 2* shows considerable improvement over the 1990 predictions that were published three months ago. For ex-

GRAPHICS: CUSTOM COLOR VISUALS

ample, travel trailers now are forecast to have nearly a 3% growth rate for the year, whereas we had earlier expected a 2% decline. Why the shift? A strong first quarter for conventional travel-trailer units made the difference.

The same tale can be told about Class A motorhomes, which we now anticipate to decline by 7.7%, about half the rate of decline previously forecast.

It should be pointed out that both travel trailers and Class A motorhomes are more interest-sensitive than other RV types. In the first quarter, interest rates were lower than expected, and this resulted in higher levels of shipments. Since we do not foresee interest rates holding at current levels, both of these types of RVs will face an uphill climb for the balance of the year.

Van conversions and folding camping trailers, by contrast, are particularly sensitive to changes in real disposable income. With heavy auto-related layoffs in the first quarter, both types did poorly. Now that inventories at dealers' lots have been reduced, production has been resumed, and both types should return to better performance levels as the year progresses.

The National Economy

1990 started off by looking good because of good weather and heavy construction in areas of recent natural disasters (California and South Carolina). It would have looked spectacular if the auto industry had not been experiencing one of its periodic "inventory adjustments," caused by Detroit's failure to adjust production to sales before a crisis was reached. Now, the second quarter will look good as the auto and auto-parts workers return to their jobs and normal spending patterns.

Flooding in Texas and Arkansas also will help the numerical picture of the economy. Cleaning up a disaster always boosts gross national product (GNP).

The result of all this activity will be a growth rate of 2.3% in economic activity as measured by the after-inflation adjustment of GNP. *(See Figure 3.)* This 2.3% real growth is much higher than our previous 1.5% growth-rate forecast because of an increase in the outlook for both residential and nonresidential investment. Consumer spending is not affected; it is still expected to grow by 2% in real terms. State and local governments also will be spending more to repair damages of nature. (Much of the cleanup is covered by federal funds, but states and localities will be doing the actual buying of goods and services so it shows up as their spending.)

ANNUAL GROWTH RATES AFTER ADJUSTMENT FOR INFLATION

	1989	1990	1991
		— Forecast —	
Gross National Product	2.9	2.3	1.7
Consumer Spending	2.7	2.0	1.0
Business Investment	3.3	3.7	4.7
Residential Investment	–2.9	0.7	–0.1
Exports	11.2	5.4	6.1
Imports	6.1	2.6	3.6
Govt. Purchases			
Federal	2.5	–1.8	–2.7
State & Local	2.8	3.2	1.6

Figure 3

Although the general level of interest rates in 1990 may be below that of 1989 *(see Figure 4)*, we expect the Federal Reserve Board to keep rates from falling any further and for the trend during this year and much of next year to be upward. The overall rise in interest rates is not expected to be great, but the rising trend is necessary to the Fed's fight against a falling dollar and rising worldwide and domestic inflation.

On the international scene, German reunification will be an inflationary force, but one held in check by rising German interest rates. Increased consumer spending in Japan, encouraged by the U.S. and Japanese governments, will reduce Japanese savings and raise their interest rates, too.

At home, to keep funds flowing for the massive American budget deficit *(see Figure 5)* as we bail out the savings and loan industry, domestic interest rates need to rise. And inflationary pressures in the U.S. continue: Unit labor costs persist above the 5% level and put pressure on businesses to raise prices. Foreign competition helps lower prices, but inflation abroad means that foreign firms will be likely to increase their prices in this country, too.

Final Notes

In sum, the factors that affect the RV industry most are not particularly favorable. Interest rates are expected to rise. Real consumer disposable income will grow by less than 2% compared with 4% last year. And motor fuel prices are likely to rise faster than the general rate of consumer prices. *(See Figure 4.)* Together, these elements keep the industry from growing and could, in the latter part of 1991 bring about a slight decline.

This forecast does not take into account any results from the current discussions between the Bush administration and Congress on the federal deficit. After misrepresenting the cost of the S&L bailout to the nation and themselves, these leaders are now trying to find a way to reduce the damage. This can be done by raising taxes or decreasing expenditures.

Neither of these steps can be good for the RV industry in the short run. Higher taxes will cut consumer disposable income, and reduced expenditures will have a comparable effect. Only a massive reduction in the deficit could bring down interest rates – an event which almost certainly requires a recession.

All of this may sound a bit gloomy, but the absence of a strong outlook can often serve as a spur for firms to take aggressive cost-cutting steps to improve productivity and future profits. Other firms work harder on marketing, intent on making the other fellow take the brunt of tight times. The losers are generally the ones who despair and withdraw into a foxhole. Certainly, this forecast of a fairly flat future is not a prediction of disaster; there is no need to seek subterranean shelter. Δ

KEY FACTORS IN THE FORECAST

	1989	1990	1991
		— Forecast —	
Prime Interest Rate (%)	10.9	10.3	11.0
Value of the Dollar (1973=100)	98.5	92.8	89.4
Unemployment Rate (%)	5.2	5.4	5.7
% Change at Annual Rates:			
Money Supply (M2)*	3.7	6.0	5.9
Real Disposable Personal Income	4.0	1.9	0.8
Consumer Price Index	4.8	6.2	6.8
Food & Beverages	5.7	7.4	7.7
Motor-Fuel Prices	9.4	7.2	6.0

*M2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.

Figure 4

ANNUAL TRENDS

	1989	1990	1991
		— Forecast —	
Unit Auto Sales (millions)	9.9	9.5	9.7
Unit Housing Starts (millions)	1.4	1.4	1.3
Federal Budget Deficit (billion $)	148.5	166.0	165.3
% Change in Compensation per Man-hours	5.8	5.4	6.4
Productivity	0.4	0.3	0.2
Unit Labor Costs	5.4	5.1	6.2

(Compensation – Productivity = Unit Labor Costs)

Figure 5

This forecast is a product of the Center for Econometric Model Research at Indiana University, R. Jeffery Green, director. The RV industry forecast was generated by Vinay Kansal; the verbal interpretation of these data, however, is the sole responsibility of the author. TL Enterprises Inc. is one of several private firms that supports the reasearch center and its quarterly forecasting activities.